

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997

(Dollars in Thousands)

2. Accounting Policies: (continued)

Property and Equipment:

Property and equipment, along with expenditures that extend the useful lives of assets, are recorded at cost. Certain internal computer software development costs are capitalized and included in property and equipment. Interest expense associated with the construction of major capital additions is capitalized and included in property and equipment. Maintenance and repairs are charged to expense as incurred. At the time assets are retired or otherwise disposed of, the cost thereof and the related accumulated depreciation or amortization are eliminated and any resulting gain or loss on disposition is recorded as other revenue.

Depreciation is provided over the estimated useful lives of the assets computed under the straight-line method, with one-half year of depreciation recognized in the year when the related assets are placed into service.

Other Assets:

Other assets consist primarily of bond financing costs, equity investments and investments in other joint ventures, organizational costs, program development costs, goodwill, covenants not-to-compete, and cash surrender values on life insurance policies. Bond financing costs are being amortized over the respective terms of the related bond issues on a basis that approximates the interest method. AHERF has a 33% ownership interest in Gateway Health Plan, L.P. (Gateway). AHERF's share of income from its Gateway investment for fiscal year 1997 was \$2,240. Deferred organizational costs are being amortized over five years, program development costs over three years, goodwill over ten to thirty-five years, and covenants not-to-compete over five to fifteen years. The cost and related accumulated amortization of such costs was \$228,534 and \$10,020 at June 30, 1997, respectively.

AHERF evaluates the recoverability of its intangible assets at each balance sheet date in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. SFAS No. 121 establishes criteria for recognizing, measuring, and disclosing impairments of long-lived assets.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

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June 30, 1997

(Dollars in Thousands)

2. Accounting Policies: (continued)Restricted Net Assets:

Temporarily restricted net assets are those whose use has been limited by donors for a specific purpose or time period. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted assets released from restriction during the reporting period are reflected in the consolidated statement of operations.

Net Patient Service Revenue:

AHERF has agreements with third-party payors that provide for payments to AHERF facilities at amounts different from their established rates. Payment arrangements include prospectively determined rates based upon discharges, discounted charges, per diem payments and capitation arrangements. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated net retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care, Uncompensated Care and Other Community Services:

AHERF's facilities maintain charity care policies which were established to assure that all persons seeking treatment receive needed health care services regardless of their ability to pay. These policies provide that persons who lack the means to pay for all or a portion of their needed health care services receive financial assistance in the form of partial or total charge reductions. Because the hospitals do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services and supplies furnished under AHERF's charity care policy approximated \$16,324 in fiscal year 1997.

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2. Accounting Policies: (continued)Charity Care, Uncompensated Care and Other Community Services: (continued)

Additionally, AHERF's facilities provide services to patients covered by Medical Assistance and Medicare, whereby the payments received are less than the costs of providing such services. Also, AHERF's facilities perform services at no charge which benefit the community, such as public health screenings, health care publications, workplace wellness programs, health related research, educational programs and other activities.

Premium Revenue:

AHERF has agreements with various third-party payors to provide medical services to subscribing participants. Under these agreements, AHERF receives monthly capitation payments based on the number of participants, regardless if services are performed by AHERF. In addition, certain third-party payors make fee-for-service payments to AHERF for certain covered services based upon discounted fee schedules. Accruals are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined for retroactive adjustments for premiums and statistics, and for claims incurred by not yet reported. Additionally, AHERF mitigates a portion of its financial risks by purchasing stop-loss insurance.

AHERF has assumed the risk of managing care for approximately 500,000 covered lives.

Income Taxes:

AHERF, the parent company, is a not-for-profit corporation that has been recognized as tax exempt pursuant to Section 501 (c)(3) of the Internal Revenue Code.

3. Assets Limited or Restricted as to Use:

Assets limited or restricted as to use consist of the following components as of June 30, 1997:

Unrestricted:

By Boards of Trustees:

Future additions or replacement of property and equipment	\$ 215,711
Self-insurance reserve funds	70,117

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Dollars in Thousands)

3. Assets Limited or Restricted as to Use: (continued)

Endowments	101,877
Other	<u>23,631</u>
	411,336
Debt service funds	64,541
Endowments	<u>99,639</u>
Total unrestricted	575,516
Temporarily restricted:	
By donor	21,952
Student loans	22,186
Endowments	<u>78,692</u>
Total temporarily restricted	122,830
Permanently restricted:	
Endowments	90,357
Perpetual trusts	<u>66,040</u>
Total permanently restricted	<u>156,397</u>
Total assets limited or restricted as to use	854,743
Less current portion	<u>73,922</u>
Assets limited or restricted as to use, net of current portion	<u>\$ 780,821</u>

The following table sets forth the composition of assets limited or restricted as to use by investment type as of June 30, 1997:

Unrestricted:	
Cash and short-term investments	\$ 83,762
Government and corporate obligations	239,259
Marketable equity securities	<u>252,495</u>
Total unrestricted	575,516
Temporarily restricted:	
Cash and short-term investments	27,264
Government and corporate obligations	42,361
Marketable equity securities	<u>53,205</u>
Total temporarily restricted	122,830

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. Assets Limited or Restricted as to Use: (continued)

Permanently restricted:

Cash and short-term investments	1,618
Government and corporate obligations	46,172
Marketable equity securities	<u>108,607</u>
Total permanently restricted	<u>156,397</u>
Assets limited or restricted as to use	<u>\$ 854,743</u>

The various Boards of Trustees retain control over certain designated assets and may, at their discretion, subsequently use such assets for other purposes. Assets limited or restricted as to use, including \$8,670 of temporarily restricted funds that are required to satisfy obligations classified as current liabilities, are reported as current assets on the consolidated balance sheet as of June 30, 1997.

Investment returns for the year ended June 30, 1997 consisted of the following:

Net realized gains on investments	\$ 63,459
Dividends and interest	<u>22,494</u>
	<u>\$ 85,953</u>

4. Property and Equipment:

Property and equipment consists of the following components as of June 30, 1997:

Buildings and building improvements	\$ 831,136
Equipment	744,514
Land and land improvements	<u>49,320</u>
	1,624,970
Less accumulated depreciation and amortization	<u>761,415</u>
	863,555
Construction in progress	<u>57,315</u>
Property and equipment, net	<u>\$ 920,870</u>

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5. Line of Credit:

AHERF maintains a \$100,000 working capital line of credit from a consortium of banks with various interest rate options (5.99% at June 30, 1997) with a maturity date of March 7, 2000 and with a commitment fee of 0.2% on the total commitment amount of the line. The amount outstanding under the line was \$57,100 as of June 30, 1997, which borrowings were used to repay the then existing lines of credit balances at which time such lines of credit arrangements were terminated. The most restrictive covenant requires certain AHERF obligated groups to maintain minimum liquidity ratios.

6. Long-Term Debt:

Long-term debt consists of the following obligations as of June 30, 1997:

Pennsylvania Higher Educational Facilities Authority (PHEFA):

Revenue Bonds:

DVOG Series 1996 A-C Health Services Revenue Bonds, net of unamortized discount of \$3,462 (with maturity dates through November 15, 2021 and fixed rates ranging from 4.0% to 5.88%)	\$ 302,688
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DVOG Series 1996 D Health Services Revenue Bonds (with maturity dates through November 15, 2035 and variable interest rates ranging from 2.4% to 4.6% during fiscal year 1997 and at 4.1% on June 30, 1997)	50,000
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AGHOG Series 1991 A Revenue Bonds, net of unamortized discount of \$628 in 1997 (with maturity dates through September 1, 2017 and fixed interest rates ranging from 6.3% to 7.25%)	54,157
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Allegheny County Hospital Development Authority (ACHDA):

AGHOG Series 1995 A and B Hospital Revenue Bonds:

A - net of unamortized discount of \$421 (with maturity dates through September 1, 2020 and fixed interest rates ranging from 4.75% to 6.25%)	48,624
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B - (with maturity dates through September 1, 2020 and variable interest rates ranging from 2.25% to 4.5% during fiscal year 1997 and at 4.15% on June 30, 1997)	49,000
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. Long-Term Debt: (continued)

AGHOG Series 1993 A-C Notes:

A - (with maturity dates through July 1, 2012 and variable interest rates ranging from 5.63% to 5.95% during fiscal year 1997 and at 5.94% on June 30, 1997)	26,500
B - (with maturity dates through January 1, 2012 and a fixed interest rate of 7.85%)	13,370
C - (with maturity dates through January 1, 2004 and a fixed interest rate of 7.33%)	11,570

AGHOG Series 1988 A-D Hospital Revenue Bonds (with maturity dates through March 1, 2017 and variable interest rates ranging from 2.35% to 4.5% during fiscal year 1997 and at 4.2% on June 30, 1997)	46,800
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AVH Hospital Revenue Bonds:

Series 1990, net of unamortized discount of \$227 (with maturity dates through August 1, 2020 and fixed interest rates ranging from 7.4% to 7.75%)	12,473
Series 1986 Refunding, net of unamortized discount of \$100 (with maturity dates through August 1, 2013 and fixed interest rates ranging from 7.0% to 7.5%)	24,750
Series 1982 Q, net of unamortized discount of \$282 (with maturity dates through August 1, 2015 and a fixed interest rate of 7.0%)	5,803

The Hospitals and Higher Education Facilities Authority of Philadelphia Revenue Bonds:

Graduate Hospital Series 1993 A and B Hospital Revenue Bonds, net of unamortized discount of \$707 (with maturity dates through July 1, 2018 and fixed interest rates ranging from 5% to 6.25%)	53,833
Graduate Hospital Series 1991 A and B Hospital Revenue Bonds, net of unamortized discount of \$3,337 (with maturity dates through July 1, 2021 and fixed interest rates ranging from 6.5% to 7.25%)	106,723

Monroeville Hospital Authority:

FHS Series 1995 Hospital Revenue Bonds, net of unamortized discount of \$966 (with maturity dates through October 1, 2015 and fixed interest rates ranging from 4.5% to 6.25%)	36,104
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Dollars in Thousands)

6. Long-Term Debt: (continued)

FHS Series 1992 Hospital Revenue Bonds, net of unamortized discount of \$908 (with maturity dates through October 1, 2013 and fixed interest rates ranging from 6.5% to 7.35%)	42,257
Rancocas Hospital New Jersey Health Care Facilities Financing Authority 1987 Series C Revenue Bonds (with maturity dates through July 1, 2012 and fixed interest rates ranging from 7.6% to 8.5%)	41,040
DVOG Series 1996 E Taxable Notes Payable (with maturity dates through November 15, 2015 and variable interest rates ranging from 5.36% to 5.68% during fiscal year 1997 and at 5.68% on June 30, 1997)	50,978
City Avenue Hospital and Parkview Hospital note payable to the Philadelphia College of Osteopathic Medicine (with maturity dates through July 13, 2023 and an imputed interest rate of 6.00%)	5,920
Other obligations	<u>12,387</u>
	994,977
Less current portion of long-term debt	<u>34,704</u>
Long-term debt	<u>\$ 960,273</u>

All obligations are subject to early redemption at the option of AHERF. AHERF is subject to various debt covenants contained in the agreements which govern the preceding obligations. The most restrictive covenants require certain AHERF obligated groups to maintain minimum annual debt service coverage ratios, liquidity ratios, capitalization ratios, and levels of net assets (refer to Note 17).

Additionally, certain of these bonds are collateralized by the pledge of certain of the respective obligated group's gross revenue, real property, personal property and unrestricted receivables.

AHERF maintains two letter of credit facilities for the DVOG variable rate debt. The letter of credit amounts for the DVOG Series 1996 D Health Services Revenue Bonds and the DVOG Series 1996 E Taxable Notes Payable are \$50,805 and \$54,194, respectively. The master trustee has the ability to draw on such letter of credit facilities in order to make principal and accrued interest payments should the bonds not be remarketed. Both letter of credit facilities have an expiration date of June 10, 1999. The letter of credit facilities require the DVOG to maintain compliance with certain liquidity and debt service coverage ratios.

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6. Long-Term Debt: (continued)

Following are scheduled principal repayments and sinking fund requirements on the long-term debt for each of the next five fiscal years:

1998	-	\$ 34,704
1999	-	29,059
2000	-	29,937
2001	-	31,349
2002	-	32,189

FHS has entered into interest rate swap agreements having an aggregate notional principal amount of \$20,000 whereby FHS pays a variable rate and receives a fixed rate of approximately 4.8%. Interest payments (both made and received) pursuant to these swap agreements are based on the notional amounts of the agreements in effect as no funds were actually borrowed. During fiscal year 1997, FHS recognized investment income of approximately \$109 on these swap agreements. The swap agreements subject FHS to market risk associated with changes in interest rates and have an aggregate market value of \$74 as of June 30, 1997.

7. Commitments:

In October 1991, AHERF entered into an agreement to manage the Sidney Hillman Medical Center (SHMC) for a 20 year period. SHMC provides primary and specialty care physician services primarily to members of a garment workers union. Under the terms of the agreement, AHERF subsidizes certain operating losses of SHMC. During fiscal year 1997, such subsidies amounted to \$1,127.

Effective July 1, 1989, AHERF entered into an operating lease agreement with the Commonwealth of Pennsylvania whereby all land and buildings associated with the Eastern Pennsylvania Psychiatric Institute are leased for a term of 25 years at annual rental payments of one dollar. The agreement also specifies provisions for a renewal option for additional terms.

AHERF leases certain medical and office equipment and office space used in its operations. Rental expense for operating leases during the year ended June 30, 1997 was \$62,528. The annual and total future minimum lease payments under noncancelable operating leases entered into as of June 30, 1997 are as follows:

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(Dollars in Thousands)

7. Commitments, continued:

<u>Year</u>	
1998	\$ 55,041
1999	52,204
2000	46,914
2001	37,961
2002	30,419
2003 and thereafter	<u>209,137</u>
Total minimum payments	<u>\$ 431,676</u>

8. Net Patient Service Revenue:

Net patient service revenue for the year ended June 30, 1997 consists of the following components:

Gross patient service revenue	\$ 4,002,633
Less provisions for contractual adjustments	<u>2,299,962</u>
Net patient service revenue	<u>\$ 1,702,671</u>

Contractual adjustments represent the difference between standard billing rates and amounts estimated to be paid under various payor agreements. Provisions for contractual adjustments are recorded in the period in which the services are provided.

During fiscal year 1997, AHERF's bad debt expense amounted to \$66,416, which is included in materials, supplies and services expense on the consolidated statement of operations.

9. Insurance:

AHERF is self-insured for primary coverage and for certain levels of excess coverage related to professional and general liability claims through AHSPIC, Hahnemann Insurance Company (HAHN - an AUHS affiliated captive insurance company incorporated in Vermont), FHS Insurance LTD. (an FHS affiliated captive insurance company incorporated in the Cayman Islands), and various self-insurance trusts. In addition, AHERF participates in the Medical Professional Liability Catastrophic Loss Fund of the Commonwealth of Pennsylvania (CAT Fund) and maintains insurance under commercially insured programs on a claims-made basis for amounts in excess of the self-insurance and CAT Fund coverages. Premiums for the self-insurance coverage are retrospectively rated and are paid to AHSPIC, HAHN, and FHS Insurance LTD. based on funding requirements determined by independent insurance actuaries to include provisions for estimates of the

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9. Insurance, continued:

ultimate costs for both reported claims and claims incurred but not reported, determined on a discounted basis using a 7.50% rate. During fiscal year 1997, AHERF's total professional and general liability insurance expense was \$29,866.

AHERF is also self-insured for workers' compensation liability claims and has established trust funds for the payment of such claims. Funding requirements and estimates of losses incurred are determined on a discounted basis using actuarial assumptions which include a 6.00% discount rate and which are subject to revision based upon actual experience. During fiscal year 1997, total workers' compensation expense was \$13,659.

10. Pension Plans:

AHERF maintains various pension plans covering substantially all of its employees. Union employees are covered by multi-employer pension plans to which AHERF contributes based on individual plan policies and actuarial valuations. Expenses in fiscal year 1997 pertaining to the multi-employer pension plans amounted to \$3,697. Noncontributory, defined benefit pension plans cover substantially all other full-time employees (the Plans). Pension benefits generally depend upon age, length of service and remuneration. AHERF's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the Plans with assets sufficient to meet benefits to be paid to retirees or their beneficiaries and to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

Net pension cost related to the defined benefit plans for the year ended June 30, 1997 includes the following components:

Service cost-benefits earned during the period	\$ 23,784
Interest cost on projected benefit obligation	19,976
Actual return on assets	(25,233)
Net amortization and deferral	<u>1,800</u>
Net pension cost	<u>\$ 20,327</u>

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10. Pension Plans, continued:

The following table sets forth the consolidated funded status of the defined benefit plans as of June 30, 1997:

	<u>Overfunded Plans</u>	<u>Underfunded Plans</u>
Actuarial present value of benefit obligation:		
Vested benefit obligation	\$ (80,844)	\$ (173,202)
Non-vested benefit obligation	<u>(1,282)</u>	<u>(9,723)</u>
Accumulated benefit obligation	(82,126)	(182,925)
Effect of projected future compensation levels	<u>(11,350)</u>	<u>(739)</u>
Projected benefit obligation	(93,476)	(183,164)
Plan assets at fair value (primarily listed equity securities, convertible securities and bonds)	<u>103,543</u>	<u>150,603</u>
Funded status - projected benefit obligation in (excess of)/less than plan assets	10,067	(32,561)
Unrecognized prior service credit due to plan amendments	(978)	(6,884)
Unrecognized net gain from past experience different from that assumed	(274)	(8,836)
Unrecognized net asset arising at transition	(15,311)	(227)
Funding contributions	<u>-</u>	<u>2,480</u>
Accrued pension liability	<u>\$ (6,496)</u>	<u>\$ (45,574)</u>

Significant assumptions used to determine the projected benefit obligation and assets of the plans include:

Discount rate	7.50% - 8.25%
Rate of increase in compensation levels	3.50% - 5.00%
Expected long-term rate of return on assets	6.00% - 9.50%

AHERF sponsors a contributory, defined contribution savings plan, which is available to substantially all AHERF employees in order to provide additional security during retirement by creating an incentive for employees to make regular contributions on their own behalf. Under this plan and as determined on an individual employee basis, AHERF contributes an amount equal to 25% of an employee's contribution up to 4% of such employee's salary in a given year. AHERF's expense associated with contributions to this savings plan was \$4,728 for the year ended June 30, 1997.

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11. Functional Expenses:

AHERF provides general health care services through its hospitals, and education services through its university, and performs medical research through its research institute. Expenses related to these services for the year ended June 30, 1997 are as follows:

Health care services	\$ 1,634,904
Education services	83,693
Medical research	66,368
General and administrative	<u>248,076</u>

\$ 2,033,04112. Concentrations of Credit Risk:

AHERF grants credit without collateral to its patients, most of whom are local residents insured under third-party payor agreements. The following percentages represent the mix of receivables from patients and third-party payors as of June 30, 1997 and do not represent the volume of services by such payors:

Medicare	22%
Medicaid	16
Blue Cross	10
Managed care	25
Other third-party payors	17
Patients	<u>10</u>
	<u>100%</u>

13. Fair Value of Financial Instruments:

The following methods and assumptions were used in estimating the fair value of AHERF's financial instruments:

Cash and cash equivalents: The carrying value reported in the consolidated balance sheet for cash and cash equivalents approximates their fair value.

Short-term investments: The carrying value reported in the consolidated balance sheet for short-term investments approximates their fair value.

Assets limited or restricted as to use: These assets consist primarily of government and corporate obligations, marketable domestic and international equity securities, cash and short-term investments. For government and corporate obligations and marketable equity securities, fair values were determined based on quoted market prices and dealer quotes where available, or quoted market prices pertaining to similar securities where not available. The carrying value reported in the consolidated balance sheet for all assets limited or restricted as to use approximates their fair value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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13. Fair Value of Financial Instruments, continued:

Student loans receivable: Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. Government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

Long-term debt: The fair value of all obligations included in long-term debt is based on current traded values. The carrying and fair values of AHERF's long-term debt obligations (excluding capital leases) are \$984,011 and \$1,013,376, respectively, as of June 30, 1997.

14. Legal Matters:

AHERF is subject to legal proceedings and claims which have arisen in the ordinary course of its business and have not yet been adjudicated. The ultimate liability from these actions cannot be determined because of the uncertainties that exist. In the opinion of management, the eventual disposition of these matters will not have a material adverse effect on the consolidated financial position of AHERF. However, it is possible that, upon settlement, results of operations or cash flows in a particular period could be materially affected.

AHERF is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased as well as compliance review by other third-party payors, resulting in fines and penalties for noncompliance by individual health care providers.

15. Business Combinations:

As discussed in Note 1, FHS, AVH and certain hospitals of the Graduate Health System became part of AHERF via statutory mergers. These mergers have been accounted for under the purchase method with the purchase price being the amount of the respective hospital's outstanding liabilities assumed by AHERF at the date of acquisition. The purchase price of the acquisitions has been allocated based on the fair value of the assets acquired and liabilities assumed. The operations of the acquired hospitals have been included in the accompanying consolidated financial statements from their respective dates of acquisition.

The following unaudited pro forma financial information presents the results of operations of the acquired hospitals as if the acquisitions had occurred at the beginning of fiscal year 1997 and the balance sheet information of the acquired hospitals at the respective acquisition dates. The following unaudited pro forma financial results are not necessarily indicative of the actual results that would have occurred nor is it indicative of future results of operations of the acquired hospitals.

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15. Business Combinations: (continued)

(Unaudited Pro Forma Information)

	Forbes Health System	Allegheny Valley Health System	Former Graduate Health System Entities
<u>Pro Forma Statement of Operations for the year ended June 30, 1997</u>			
Total revenue	\$160,673	\$81,167	\$403,654
Operating expenses	142,733	71,199	405,051
Restructuring expenses	-	-	49,062
Income/(loss) from operations	<u>\$17,940</u>	<u>\$9,968</u>	<u>(\$50,459)</u>

Balance Sheet Information at Date of Acquisition

Current assets	\$18,230	\$9,299	\$94,925
Assets limited or restricted as to use, net of current portion	133,167	49,514	75,737
Property and equipment, net	-	302	167,489
Other assets	9,004	102	120,572
Total assets	<u>\$160,401</u>	<u>\$59,217</u>	<u>\$458,723</u>
Current liabilities	\$27,484	\$10,335	\$149,840
Long-term debt	75,900	43,586	211,558
Other noncurrent liabilities	39,478	5,296	72,195
Total liabilities	142,862	59,217	433,593
Net assets:			
Unrestricted	-	-	-
Temporarily restricted	-	-	18,015
Permanently restricted	17,539	-	7,115
Total net assets	<u>17,539</u>	<u>-</u>	<u>25,130</u>
Total liabilities and net assets	<u>\$160,401</u>	<u>\$59,217</u>	<u>\$458,723</u>

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16. Subsequent Events:

In July 1997, Canonsburg General Hospital (CGH) became part of AUMC via a statutory merger. CGH joins FHS and AVH as members of AUMC. CGH is a 120 bed facility with 92 acute-care beds and 28 skilled nursing/sub-acute beds.

In September, 1997 AHERF entered into a \$30,000 operating lease program, which will be used to finance certain equipment needs of AHERF.

17. Debt Covenants:

The Allegheny Hospitals, Centennial Obligated Group (Obligated Group) was not in compliance with its debt service coverage ratio covenant for the twelve-month period ended June 30, 1997. As a result of such noncompliance, under the master trust indenture, the Obligated Group was required to retain a consultant to make recommendations with respect to the Obligated Group's methods of operations and the factors affecting its financial condition. AHERF was chosen as such consultant and has promulgated its recommendations to the Obligated Group. Accordingly, the Graduate Hospital Series 1993 A and B and 1991 A and B Hospital Revenue Bonds have been classified as noncurrent liabilities in the accompanying consolidated balance sheet.

For the two quarterly periods ended September 30, 1997 and December 31, 1997, AHERF did not comply with a liquidity ratio under certain of its line of credit debt with respect to the DVOG. For the quarterly period ended December 31, 1997, the DVOG did not comply with certain liquidity ratios under certain letter of credit agreements associated with certain long-term debt. The potential also exists that the DVOG may not meet its debt service coverage ratio related to certain long-term debt for the fiscal year ending June 30, 1998. Management of AHERF and the DVOG have and will be taking steps to cure the present and any anticipated noncompliance issues in an effort to satisfy the conditions set forth in such agreements and to prevent these existing and potential noncompliance events from becoming events of default.

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a professional services firm

Report of Independent Accountants on Consolidating and
Combining Financial Information

Our report on the audit of the consolidated financial statements of Allegheny Health, Education and Research Foundation as of June 30, 1997, and for the year then ended appears on page 1. This audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating and combining financial information accompanying the consolidated financial statements is not necessary for fair presentation of the consolidated financial position, results of operations, changes in net assets and cash flows of Allegheny Health, Education and Research Foundation in conformity with generally accepted accounting principles. The supplementary consolidating and combining financial information is presented only for purposes of additional analysis and is not a required part of the consolidated and combining financial statements. The supplementary consolidating financial information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Coopers & Lybrand LLP

Pittsburgh, Pennsylvania

September 4, 1997, except for the second paragraph of Note 16 which is dated September 12, 1997, and Note 17 which is dated January 8, 1998

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
CONSOLIDATING BALANCE SHEET
 as of June 30, 1997
 (Dollars in thousands)

ASSETS

	Allegheny General Hospital	Allegheny University Medical Center	Delaware Valley Osteopathic College Hospital	Allegheny Hospital, Crescental	Allegheny Hospital, New Jersey	Allegheny Integrated Health Group	Allegheny Singer Research Institute	Allegheny Operations	Elim.	Consolidated Allegheny
Current assets										
Cash and cash equivalents	\$ 4,962	\$ 8,339	\$ 20,444	\$ 908	\$ 1,338	\$ 858	\$ -	\$ (16,683)	\$ -	\$ 20,316
Short-term investments	2,901	-	6	500	-	393	-	-	-	3,804
Assets limited or restricted as to use	4,643	2,960	16,167	11,665	1,300	-	-	22,167	-	73,912
Receivables	54,139	12,004	201,914	49,632	9,032	23,999	-	1,342	-	367,061
Prepaid expenses	7,359	1,379	40,312	10,849	344	3,713	1,106	24,842	2,011	92,119
Inventory	10,137	2,230	11,733	7,138	306	-	-	192	-	31,464
Prepaid expenses	1,249	3,649	4,344	1,664	340	-	-	10,034	(4,196)	13,140
Total current assets	\$6,343	\$4,073	\$30,144	\$21,436	\$14,330	\$28,997	\$1,106	\$44,914	\$(2,343)	\$68,036
Assets limited or restricted as to use, net of current portion	172,498	184,316	204,322	58,260	11,764	-	-	265,611	(114,149)	780,821
Property and equipment, net	231,588	4,324	476,191	144,123	23,334	-	149	41,645	(414)	920,870
Due from affiliates	39,810	-	-	-	20,033	-	84	297,687	(222,601)	-
Other assets	48,093	2,414	41,638	103,324	20,033	3,544	-	101,068	(21,201)	315,932
Total assets	\$380,240	\$310,333	\$319,295	\$399,632	\$99,681	\$20,341	\$1,229	\$749,922	\$(71,107)	\$2,632,680
LIABILITIES AND NET ASSETS										
Current liabilities										
Accounts payable and accrued expenses	\$ 38,837	\$ 24,419	\$ 139,680	\$ 61,077	\$ 11,615	\$ 24,974	\$ 484	\$ 171,332	\$ -	\$ 489,332
Deferred revenue	-	-	12,822	1,142	-	-	-	-	-	(1,991)
Line of credit	-	-	57,100	-	-	-	-	-	-	57,100
Current portion of long-term debt	2,507	3,462	12,403	3,912	2,912	35	-	23	-	31,204
Total current liabilities	\$41,344	\$27,881	\$212,405	\$78,131	\$14,527	\$24,999	\$2,083	\$171,355	\$(1,991)	\$597,699
Long-term debt, net of current portion	242,434	118,130	394,478	164,075	38,271	88	-	407	-	960,273
Self-insurance liabilities	-	-	7,330	-	-	-	-	81,220	-	91,651
Due to affiliates	-	16,632	46,992	160,249	13,416	15,346	-	231,163	(437,999)	-
Other noncurrent liabilities	16,191	41,118	19,690	12,006	75	13,000	-	78,617	(13,606)	149,101
Total liabilities	\$225,069	\$203,092	\$619,880	\$335,441	\$64,287	\$53,636	\$2,083	\$581,062	\$(473,501)	\$1,798,914
Net assets:										
Unrestricted	232,486	16,189	191,270	10,273	2,069	(23,093)	(772)	98,236	23,318	\$49,796
Restricted	3,376	-	76,987	17,716	1,335	-	48	12,079	(1,043)	110,718
Temporarily	2,339	14,952	80,119	7,171	-	-	-	30,328	(20,107)	144,212
Permanently	363,181	23,441	248,406	33,232	3,394	(13,093)	(744)	160,863	4,338	832,736
Total net assets	\$388,240	\$310,333	\$319,295	\$399,632	\$99,681	\$20,341	\$1,229	\$749,922	\$(71,107)	\$2,632,680
Total liabilities and net assets	\$388,240	\$310,333	\$319,295	\$399,632	\$99,681	\$20,341	\$1,229	\$749,922	\$(71,107)	\$2,632,680

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
CONSOLIDATING STATEMENT OF OPERATIONS
For the year ended June 30, 1997
(Dollars in Thousands)

	Allegheny General Hospital	Allegheny University Medical Centers	Allegheny Hospitals, Centennial	Allegheny Hospitals, New Jersey	Allegheny Integrated Health Group	Allegheny Singer- Research Institute	Allegheny Operations	Elim.	Consolidated AHERF
Unrestricted revenues, gains and other support:									
Net patient service revenue	\$ 441,088	\$ 103,059	\$ 64,843	\$ 16,699	\$ 117,589	\$ 9,440	\$ 2,413	\$ -	\$ 1,702,671
Research and training support	-	-	96	-	-	-	-	(4,089)	71,524
Academic activities	-	-	64,434	-	-	-	-	-	64,434
Investment income/(loss)	20,470	6,882	1,006	1,173	(1,021)	299	45,601	(6,453)	85,933
Net assets released from restrictions used for operations	1,081	741	189	-	-	169	36,663	-	47,229
Other revenue	15,192	1,962	2,138	378	9,400	24	42,584	(52,463)	83,156
Total revenues, gains and other support	477,831	112,644	68,272	18,450	125,968	9,932	127,261	(63,005)	2,054,967
Expenses:									
Salaries, wages and fringe benefits	197,392	53,130	26,048	7,743	130,355	4,829	106,587	147	1,187,601
Materials, supplies and services	224,748	37,136	27,802	6,293	48,682	10,003	(13,677)	(51,911)	700,154
Depreciation and amortization	30,873	(1,386)	1,746	678	8,319	883	9,479	-	107,691
Interest	12,975	3,707	2,369	545	33	53	-	(6,433)	37,595
Total expenses	465,988	92,587	57,965	15,259	187,389	15,768	102,389	(58,217)	2,033,041
Net income/(loss)	11,843	20,057	10,307	3,191	(61,421)	(5,836)	24,872	(4,788)	21,926
Net assets released from restrictions used for acquisition of property and equipment	167	-	228	-	-	-	-	-	395
Unrealized appreciation/(depreciation) of investments	(1,191)	4,188	40	(1,078)	-	-	(3,190)	-	(9,146)
Transfers to other net assets	-	-	-	-	-	-	-	-	(1,667)
Transfers (to)/from affiliates, net	31,620	(8,007)	(72)	(44)	328	(13,188)	(43,713)	7,081	-
Other	-	(49)	1	-	(1,076)	3	170	3	(948)
Increase/(decrease) in unrestricted net assets	\$ 42,439	\$ 16,189	\$ 40,345	\$ 10,275	\$ (62,169)	\$ (19,021)	\$ (21,863)	\$ 2,296	\$ 10,560

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
CONSOLIDATING STATEMENTS OF CHANGES IN NET ASSETS
For the year ended June 30, 1997
(Dollars in Thousands)

	Allegheny General Hospital	Allegheny University Medical Center	Allegheny Valley Obligated Group	Allegheny Hospitals, Centennial	Allegheny Hospitals, New Jersey	Allegheny Integrated Health Group	Allegheny Singer- Research Institute	Allegheny Operations	Elim.	Consolidated AHERF
Unrestricted net assets:										
Net income/(loss)	\$ 11,841	\$ 20,037	\$ 21,701	\$ 10,307	\$ 3,197	\$ (0,471)	\$ (5,936)	\$ 24,872	\$ (4,708)	\$ 31,926
Net assets released from restrictions used for acquisition of property and equipment	167	-	318	-	-	-	-	-	-	395
Unrealized appreciation/(depreciation) of investments	(1,191)	4,118	(7,911)	40	(1,079)	-	-	(1,900)	-	(5,763)
Transfers to other net assets	-	-	(1,607)	-	-	-	-	-	-	(1,607)
Transfers (to)/from affiliates	31,620	(8,007)	25,992	(72)	(44)	378	(13,188)	(43,715)	7,081	(1,467)
Other	-	(69)	-	-	-	(1,079)	-	170	-	(910)
Increase/(decrease) in unrestricted net assets	41,819	16,119	40,141	10,275	2,069	(10,169)	(19,031)	(21,463)	2,396	10,600
Temporarily restricted net assets:										
Contributions	1,500	-	10,393	89	30	-	141	-	-	12,113
Investment income	1,048	-	19,047	118	-	-	2,019	-	-	22,232
Net assets released from restrictions	(1,348)	-	(2,814)	(109)	-	-	(169)	(15,463)	(377)	(18,933)
Unrealized appreciation/(depreciation) of investments	365	-	(2,201)	918	-	-	(1,002)	(4,086)	-	(6,009)
Transfers from other net assets	-	-	2,471	-	-	-	(5,473)	-	(106)	2,471
Transfers (to)/from affiliates	(110)	-	1,848	-	1,771	-	-	-	-	16,915
Acquisition of affiliates	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in temporarily restricted net assets	1,261	35,916	17,776	17,776	1,771	(19,410)	(1)	(10,709)	(182)	1,094
Permanently restricted net assets:										
Contributions	4,815	-	2,649	56	-	-	-	-	-	7,520
Investment income	-	735	370	-	-	-	-	-	-	1,140
Unrealized appreciation of investments	-	1,419	1,897	-	-	-	-	6,732	-	9,446
Transfers to other net assets	-	-	(804)	-	-	-	(5,986)	-	(6,100)	(804)
Transfers (to)/from affiliates	1,150	17,539	8,546	7,115	-	-	-	-	-	34,450
Acquisition of affiliates	-	(221)	-	-	-	-	-	-	-	(221)
Other	-	-	-	-	-	-	-	-	-	-
Increase/(decrease) in permanently restricted net assets	5,965	18,912	12,894	2,371	3,394	(61,169)	(5,986)	6,732	(6,100)	21,610
Increase/(decrease) in net assets	49,645	35,141	80,103	31,321	3,394	(61,169)	(19,417)	(15,460)	(1,107)	53,944
Net assets, beginning of year	213,316	100,221	300,221	300,221	300,221	300,221	300,221	300,221	300,221	300,221
Net assets, end of year	262,961	135,362	380,324	331,542	303,615	(23,948)	(28,838)	285,761	299,114	354,165

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ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

CONSOLIDATING STATEMENT OF CASH FLOWS

For the year ended June 30, 1997
(Dollars in thousands)

	Allegheny General Hospital	Allegheny University Medical Center	Delaware Valley Obligated Group	Allegheny Hospital, New Jersey	Allegheny Integrated Health Group	Allegheny Single- Research Institute	Allegheny Operations	Elim	Consolidated AHERF
Cash flows from operating activities:									
Change in net assets	48,443	31,141	40,183	31,373	3,344	102,189	(18,477)	(11,840)	11,944
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:									
Depreciation and amortization	19,877	(1,186)	57,099	1,716	478	8,319	181	9,479	107,691
Net realized (gains)/losses on equity investments	(1,010)	-	-	-	-	1,117	-	-	107
Equipment valuation adjustment	(14,616)	-	(18,139)	-	-	(2,384)	-	-	(7,264)
Transfers (to/from) affiliates	-	-	-	-	-	84,933	-	44,931	-
Net assets balances related to business combinations	-	(17,519)	(17,303)	(24,484)	(640)	-	11,302	-	(47,664)
Increase/(decrease) in cash from changes in:									
Short-term investments	1,314	-	(6)	(108)	-	(10)	499	(111)	1,476
Receivables	(6,163)	(10,004)	1,441	(3,535)	(112)	(9,131)	(2,376)	(12,222)	(46,031)
Inventories	(692)	20	14	(1,116)	(45)	21	103	-	(1,647)
Prepaid expenses	(416)	1,600	(1,184)	(4)	(4)	488	6	234	1,133
Accounts payable and accrued expenses	8,049	(1,711)	4,964	(16,401)	(1,131)	10,407	120	44,939	16
Deferred revenue	(518)	-	18	-	-	-	1,000	(1,918)	2,014
Self-insurance liabilities	-	161	(3,110)	-	(910)	-	-	(1,331)	(2,744)
Other	(18)	(134)	(1,493)	(1,493)	(12)	(1,111)	(12,133)	2,732	(13,349)
Net cash provided/(used) by operating activities	1,107	(1,033)	46,600	(11,214)	(1,331)	31,336	(9,346)	18,647	76,393
Cash flows from investing activities:									
Acquisition of property and equipment, net	(13,911)	(4,100)	(11,414)	(4,300)	(107)	(1,380)	(410)	(13,841)	(32,800)
Acquisition of physician practice assets, net	-	-	-	-	-	(13,300)	-	-	(13,300)
Acquisition of physician practice intangible assets	-	-	-	-	-	(10,044)	-	-	(10,044)
Proceeds from sale of property and equipment	16,080	(1,910)	(17,880)	(400)	2,110	1,311	4,319	(4,731)	14,000
Decrease/(increase) in assets limited or restricted as to use, net	(1,747)	(1,111)	-	4,058	3,631	-	-	(1,111)	6,338
Cash balances related to business combinations	-	-	-	-	-	-	-	-	(1,000)
Net cash provided/(used) by investing activities	11,422	(4,731)	(17,194)	(1)	3,644	(13,139)	3,391	(19,179)	(11,393)
Cash flows from financing activities:									
Net drawdowns/(repayments) on lines of credit	(4,701)	16,933	34,900	(6,131)	-	2,411	1,314	6,143	10,444
Due to/from affiliates	(1,401)	(43)	110	(102)	(1,112)	(902)	11	(11)	(1,547)
Insurance/(repayments) of long-term debt	-	-	-	-	-	-	-	-	-
Net cash provided/(used) by financing activities	(6,102)	16,890	34,910	(6,233)	1,322	1,509	1,325	6,132	(1,903)
Net increase/(decrease) in cash and cash equivalents	3,227	5,219	64,316	(17,448)	3,314	165	(710)	11,400	63,971
Cash and cash equivalents, beginning of year	1,207	-	23,102	-	-	91	310	(10,241)	1,199
Cash and cash equivalents, end of year	4,434	5,219	87,418	(17,448)	3,314	1,306	310	(8,841)	75,170
Supplemental disclosures:									
Cash paid for interest, net of capitalized interest	(1,421)	3,419	18,011	340	1,111	15	-	-	12,445

ALLEGHENY UNIVERSITY MEDICAL CENTERS
CONSOLIDATING BALANCE SHEET
as of June 30, 1997
(Dollars in thousands)

ASSETS

	Forbes Hospital	Allegheny Valley Hospital	UHSI	Elim.	Consolidated AUMC
Current assets:					
Cash and cash equivalents	\$ 5,149	\$ 2,692	\$ 888	\$ -	\$ 8,729
Assets limited or restricted as to use	2,960	-	-	-	2,960
Receivables:					
Patient accounts, net	16,621	10,383	-	-	27,004
Grants and other	1,000	364	15	-	1,379
Inventories	1,949	321	-	-	2,270
Prepaid expenses	466	1,220	3	-	1,689
Total current assets	28,145	14,980	906	-	44,031
Assets limited or restricted as to use, net					
of current portion	111,858	51,719	967	-	164,544
Property and equipment, net	3,053	1,181	-	-	4,234
Other assets	7,005	34	350	(163)	7,226
Total assets	\$ 170,061	\$ 67,914	\$ 2,423	\$ (163)	\$ 240,232
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued expenses	\$ 17,058	\$ 7,122	\$ 224	\$ -	\$ 24,419
Current portion of long-term debt	2,682	780	-	-	3,462
Total current liabilities	19,740	7,907	224	-	27,881
Long-term debt, net of current portion	75,904	42,246	-	-	118,150
Self-insurance liabilities	-	-	1,301	-	1,301
Due to affiliates	12,313	4,319	-	-	16,632
Other noncurrent liabilities	35,533	3,593	-	-	41,126
Total liabilities	143,490	60,067	1,525	-	205,092
Net assets:					
Unrestricted	7,619	7,447	888	(163)	16,189
Restricted:					
Permanently	16,932	-	-	-	16,932
Total net assets	26,571	7,447	888	(163)	35,141
Total liabilities and net assets	\$ 170,061	\$ 67,914	\$ 2,423	\$ (163)	\$ 240,232

ALLEGHENY UNIVERSITY MEDICAL CENTERS
CONSOLIDATING STATEMENT OF OPERATIONS
(Dollars in Thousands)

	Forbes Hospitals for the period January 1, 1997 through June 30, 1997	Allegheny Valley Hospital for the period March 1, 1997 through June 30, 1997	FHS Insurance, Ltd. for the period January 1, 1997 through June 30, 1997	Elim.	Consolidated AUMC
Unrestricted revenues, gains and other support:					
Net patient service revenue	\$ 74,078	\$ 28,981	\$ -	\$ -	\$ 103,059
Investment income	6,484	371	27	-	6,882
Net assets released from restrictions used for operations	741	-	-	-	741
Other revenue	1,066	876	250	(230)	1,962
Total revenues, gains and other support	82,369	30,228	277	(230)	112,644
Expenses:					
Salaries, wages and fringe benefits	39,318	13,812	-	-	53,130
Materials, supplies and services	28,588	8,471	77	-	37,136
Depreciation and amortization	(1,263)	(123)	-	-	(1,386)
Interest	2,607	1,100	-	-	3,707
Total expenses	69,250	23,260	77	-	92,587
Net income	13,119	6,968	200	(230)	20,057
Unrealized appreciation of investments	2,914	1,276	(2)	-	4,188
Transfers to affiliates, net	(7,610)	(397)	-	-	(8,007)
Other	(804)	-	690	65	(49)
Increase in unrestricted net assets	\$ 7,619	\$ 7,847	\$ 888	\$ (165)	\$ 16,189

ALLEGHENY UNIVERSITY MEDICAL CENTERS

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
(Dollars in Thousands)

	Forbes Hospitals for the period January 1, 1997 through June 30, 1997	Allegheny Valley Hospital for the period March 1, 1997 through June 30, 1997	FHS Insurance, Ltd. for the period January 1, 1997 through June 30, 1997	Elim.	Consolidated AUMC
Unrestricted net assets:					
Net income	\$ 13,119	\$ 6,968	\$ 200	\$ (230)	\$ 20,057
Unrealized appreciation/(depreciation) of investments	2,914	1,276	(2)	-	4,188
Transfers to affiliates	(7,610)	(397)	-	-	(8,007)
Other	(804)	-	690	65	(49)
Increase in unrestricted net assets	7,619	7,847	888	(165)	16,189
Permanently restricted net assets:					
Investment income	735	-	-	-	735
Unrealized appreciation of investments	1,419	-	-	-	1,419
Acquisition of affiliates	17,539	-	-	-	17,539
Other	(741)	-	-	-	(741)
Increase in permanently restricted net assets	18,952	-	-	-	18,952
Increase in net assets	26,571	7,847	888	(165)	35,141
Net assets, beginning of year	-	-	-	-	-
Net assets, end of year	\$ 26,571	\$ 7,847	\$ 888	\$ (165)	\$ 35,141

ALLEGHENY UNIVERSITY MEDICAL CENTERS
CONSOLIDATING STATEMENT OF CASH FLOWS
(Dollars in Thousands)

	Forbes Hospitals for the period January 1, 1997 through June 30, 1997	Allegheny Valley Hospital for the period March 1, 1997 through June 30, 1997	FHS Insurance, Ltd. for the period January 1, 1997 through June 30, 1997	Elim.	Consolidated AUMC
Cash flows from operating activities:					
Change in net assets	\$ 26,371	\$ 7,887	\$ 888	\$ (165)	\$ 35,141
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:					
Depreciation and amortization	(1,263)	(123)	-	-	(1,386)
Net assets balances related to business combinations	(17,539)	-	-	-	(17,539)
Increase/(decrease) in cash from changes in:					
Receivables	(4,591)	(4,626)	201	-	(10,016)
Inventories	(2)	22	-	-	20
Prepaid expenses	839	768	13	-	1,640
Accounts payable and accrued expenses	(1,821)	(3,076)	239	-	(10,718)
Self-insurance liabilities	-	-	361	-	361
Other	(527)	343	(807)	165	(526)
Net cash provided/(used) by operating activities	(5,263)	1,355	888	-	(3,021)
Cash flows from investing activities:					
Acquisition of property and equipment, net	(3,218)	(932)	-	-	(4,150)
Decrease/(increase) in assets limited or restricted as to use, net	206	(2,205)	(211)	-	(1,930)
Cash balances related to business combinations	981	847	24	-	1,832
Net cash provided/(used) by investing activities	(1,941)	(2,290)	3	-	(4,228)
Cash flows from financing activities:					
Due to affiliates	12,313	4,319	-	-	16,632
Issuance/(repayment) of long-term debt	40	(692)	-	-	(652)
Net cash provided by financing activities	12,353	3,627	-	-	15,980
Net increase in cash and cash equivalents	5,149	2,692	888	-	8,729
Cash and cash equivalents, beginning of year					
Cash and cash equivalents, end of year	\$ 5,149	\$ 2,692	\$ 888	\$ -	\$ 8,729
Supplemental disclosure:					
Cash paid for interest, net of capitalized interest	2,611	6	5	-	2,619

DELAWARE VALLEY OBLIGATED GROUP

COMBINING BALANCE SHEET
as of June 30, 1997
(Dollars in thousands)

ASSETS

	MCP Hospital	Elkins Park Hospital	Ducks County Hospital	Hahnemann Hospital	Management Support Services	St. Christopher's	Allegheny University of the Health Sciences	Elim.	Combined Delaware Valley Obligated Group
Current assets:									
Cash and cash equivalents	\$ 4,122	\$ 311	\$ 449	\$ 11,763	\$ 307	\$ 3,437	\$ 55	\$ -	\$ 20,444
Short-term investments	-	-	-	-	-	6	-	-	6
Assets limited or restricted as to use	1,363	-	-	6,139	5	1,202	17,338	-	26,167
Receivables:									
Patient accounts, net	45,201	12,364	10,138	36,431	1,311	35,261	40,868	-	201,914
Grants and other	2,911	201	17	3,205	49	2,142	31,781	-	40,312
Inventories	2,990	631	516	6,739	274	1,493	70	-	12,733
Prepaid expenses	1,270	185	234	1,179	322	449	509	-	4,558
Total current assets	57,877	13,692	11,394	86,196	2,268	43,990	90,727	-	306,144
Assets limited or restricted as to use, net									
Property and equipment, net	3,468	27	-	36,908	-	20,589	141,330	-	204,322
Due from affiliates	78,387	27,715	21,324	172,365	3,164	77,320	93,316	-	476,191
Other assets	5,848	5,946	4,341	41,660	22,679	6,966	-	(90,440)	-
	8,967	4,026	4,239	6,760	2,310	8,170	4,946	-	41,618
Total assets	\$ 136,142	\$ 51,406	\$ 41,318	\$ 139,892	\$ 22,621	\$ 167,013	\$ 230,119	\$ (90,440)	\$ 1,028,293

LIABILITIES AND NET ASSETS

Current liabilities:									
Accounts payable and accrued expenses	\$ 26,313	\$ 6,129	\$ 3,728	\$ 42,203	\$ 9,427	\$ 15,288	\$ 26,595	\$ -	\$ 129,683
Deferred revenue	55	-	-	560	-	876	16,372	-	17,833
Line of credit	15,000	-	-	15,000	24,100	-	3,000	-	57,100
Current portion of long-term debt	1,218	3,719	1,104	6,577	-	1,185	-	-	12,803
Total current liabilities	42,586	8,848	4,832	64,340	33,527	17,369	45,967	-	217,409
Long-term debt, net of current portion	58,003	51,740	18,979	178,004	-	46,234	36,066	-	394,418
Self-insurance liabilities	-	-	-	3,886	-	-	3,434	-	7,320
Due to affiliates	-	23,384	16,093	-	-	-	91,783	(90,440)	40,992
Other noncurrent liabilities	-	56	110	-	-	-	19,343	-	19,650
Total liabilities	100,591	89,728	39,936	246,230	33,527	63,603	196,573	(90,440)	679,889
Net assets:									
Unrestricted	32,431	(38,166)	1,377	67,691	(949)	88,238	20,558	-	101,270
Restricted:									
Temporarily	2,066	244	35	8,035	(1)	11,031	55,637	-	76,992
Permanently	1,499	-	-	17,143	-	4,046	31,411	-	50,119
Total net assets	33,916	(38,222)	1,362	92,839	(950)	103,315	113,546	-	348,406
Total liabilities and net assets	\$ 136,142	\$ 51,406	\$ 41,318	\$ 139,892	\$ 22,621	\$ 167,013	\$ 230,119	\$ (90,440)	\$ 1,028,293

DELAWARE VALLEY OBLIGATED GROUP

COMBINING STATEMENT OF OPERATIONS
For the year ended June 30, 1997
(Dollars in Thousands)

	MCP Hospital	Elkins Park Hospital	Bucks County Hospital	Hahnemann Hospital	Management Support Services	St. Christopher's	Allegheny University of the Health Sciences	Film	Combined Delaware Valley Obligated Group
Unrestricted revenues, gains and other support:									
Net patient service revenue	\$ 217,699	\$ 61,297	\$ 51,593	\$ 330,099	\$ -	\$ 133,029	\$ 163,263	\$ -	\$ 956,980
Research and training support	1,350	-	-	3,706	-	2,111	58,910	-	66,077
Academic activities	2	134	17	-	-	791	63,490	-	64,434
Investment income	468	25	7	6,501	-	4,665	6,130	-	17,796
Net assets released from restrictions used for operations	176	19	14	512	-	911	6,754	-	8,386
Other revenue	9,477	651	944	6,552	5,106	6,720	87,779	(53,288)	63,941
Total revenues, gains and other support	229,172	63,126	52,575	347,370	5,106	148,227	386,326	(53,288)	1,177,614
Expenses:									
Salaries, wages and fringe benefits	108,281	27,213	22,640	161,514	17,770	66,041	237,911	-	661,370
Materials, supplies and services	95,474	23,823	20,679	145,343	(17,383)	63,325	133,105	(53,288)	411,078
Depreciation and amortization	10,383	3,193	3,285	18,803	6,312	7,833	7,290	-	57,099
Interest	3,377	5,131	1,871	9,547	(1,593)	2,740	3,293	-	24,266
Total expenses	217,515	59,360	48,475	335,207	5,106	139,919	401,599	(53,288)	1,153,913
Net income/(loss)	11,657	2,766	4,100	12,163	-	8,288	(15,273)	-	23,701
Net assets released from restrictions used for acquisition of property and equipment	-	-	-	-	-	20	208	-	228
Unrealized depreciation of investments	(96)	-	-	(6,113)	-	(719)	(987)	-	(7,915)
Transfers (to)/from other net assets	(150)	25	-	(159)	-	400	(1,783)	-	(1,667)
Transfers (to)/from affiliates, net	(3,245)	1,001	1,331	(2,820)	-	6,553	23,177	-	25,997
Other	-	1	-	-	-	-	-	-	1
Increase in unrestricted net assets	8,166	3,793	5,431	3,071	-	14,542	3,342	-	40,345

DELAWARE VALLEY OBLIGATED GROUP
COMBINING STATEMENT OF CHANGES IN NET ASSETS
For the year ended June 30, 1997
(Dollars in Thousands)

	MCP Hospital	Elkins Park Hospital	Bucks County Hospital	Hahnemann Hospital	Management Support Services	St. Christopher's	Allegheny University of the Health Sciences	Elim.	Combined Delaware Valley Obligated Group
Unrestricted net assets:									
Net income/(loss)	\$ -11,617	\$ 2,766	\$ 4,100	\$ 12,163	\$ -	\$ 9,288	\$ (11,371)	\$ -	\$ 22,701
Net assets released from restrictions used for acquisition of property and equipment	-	-	-	-	-	30	206	-	236
Unrealized depreciation of investments	(90)	-	-	(6,111)	-	(719)	(987)	-	(7,907)
Transfers (to)/from other net assets	(150)	25	-	(139)	-	400	(1,793)	-	(1,447)
Transfers (to)/from affiliates	(3,245)	1,001	1,331	(2,820)	-	6,513	21,177	-	21,997
Other	-	-	-	-	-	-	-	-	-
Increase in unrestricted net assets	9,166	3,791	5,431	3,071	-	14,342	3,342	-	40,343
Temporarily restricted net assets:									
Contributions	3	81	25	3	-	2,233	9,032	-	10,393
Investment income	616	2	-	2,987	-	784	14,468	-	19,047
Net assets released from restrictions	(176)	(19)	(14)	(513)	-	(931)	(6,982)	-	(8,614)
Unrealized depreciation of investments	(88)	-	-	(461)	-	-	(1,634)	-	(2,203)
Transfers (to)/from other net assets	130	(33)	-	19	-	3	2,170	-	2,471
Transfers from affiliates	-	-	-	-	-	-	2,848	-	2,848
Increase in temporarily restricted net assets	317	41	11	2,174	-	2,079	22,122	-	26,944
Permanently restricted net assets:									
Contributions	29	-	-	-	-	946	1,694	-	2,669
Investment income	15	-	-	-	-	-	355	-	370
Unrealized appreciation of investments	-	-	-	(1,23)	-	-	(56)	-	(1,607)
Transfers to other net assets	-	-	-	(16)	-	(403)	(187)	-	(606)
Transfers from affiliates	-	-	-	-	-	388	8,334	-	8,946
Increase in permanently restricted net assets	44	-	-	(1,237)	-	931	10,164	-	12,806
Increase in net assets	9,727	3,834	5,442	6,902	-	17,372	37,628	-	80,183
Net assets, beginning of year	42,120	(62,156)	(2,580)	15,877	(879)	81,781	56,318	-	266,221
Net assets, end of year	\$ 51,847	\$ (18,322)	\$ 1,842	\$ 22,779	\$ (879)	\$ 101,153	\$ 93,946	\$ -	\$ 346,404

COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 1997
(Dollars in Thousands)

	MCP Hospital	Elkins Park Hospital	Bucks County Hospital	Hahnemann Hospital	Management Support Services	St. Christopher's	Allegheny University of the Health Sciences	Elim.	Combined Delaware Valley Obligated Group
Cash flows from operating activities:									
Change in net assets	\$ 8,727	\$ 2,834	\$ 5,442	\$ 6,982	\$ -	\$ 17,372	\$ 37,618	\$ -	\$ 80,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:									
Depreciation and amortization	10,383	3,193	2,283	10,800	6,312	7,033	7,290	-	57,099
Transfers from affiliates	(12,363)	(8,101)	(8,101)	(12,446)	-	(12,303)	(4,624)	-	(56,139)
Net assets balances related to business combinations	-	-	-	-	-	-	(12,302)	-	(12,302)
Increase/(decrease) in cash from changes in:									
Short-term investments	(2,726)	900	(120)	11,361	(1,303)	66	-	-	(6)
Receivables	(61)	35	61	(210)	(63)	346	(11,336)	-	2,443
Inventories	(463)	6	87	(942)	12	(14)	(70)	-	16
Prepaid expenses	4,282	733	(439)	8,338	4,089	(9,618)	(210)	-	(1,188)
Accounts payable and accrued expenses	(153)	-	-	(422)	-	239	354	-	6,984
Deferred revenue	-	-	-	(644)	-	-	-	-	18
Self-insurance liabilities	-	(10)	35	(72)	(1,116)	(3,226)	(1,419)	-	(2,100)
Other	418	-	-	(72)	-	-	-	-	(3,023)
Net cash provided by operating activities	8,010	562	328	31,163	7,709	6,463	(2,313)	-	46,606
Cash flows from investing activities:									
Acquisition of property and equipment, net	(8,377)	(460)	(468)	(12,860)	(2,177)	(10,498)	(16,318)	-	(51,410)
Decrease/(increase) in assets limited or restricted as to use, net	(11)	(2)	-	3,561	5	(6,176)	(23,222)	-	(33,820)
Net cash used by investing activities	(8,346)	(462)	(468)	(9,299)	(2,172)	(16,674)	(30,773)	-	(17,391)
Cash flows from financing activities:									
Net drawdowns/(repayments) on lines of credit	4,000	-	-	4,000	11,800	-	(3,000)	-	16,800
Due to/from affiliates	(3,269)	54	639	(21,010)	(17,369)	(1,314)	49,617	-	6,940
Issuance/(repayments) of long-term debt	16	(102)	(900)	1,869	-	19	-	-	120
Net cash provided/(used) by financing activities	745	(148)	(261)	(15,169)	(5,469)	(1,305)	46,617	-	23,860
Net increase/(decrease) in cash and cash equivalents	(93)	(738)	(401)	6,695	108	(11,509)	(691)	-	(6,918)
Cash and cash equivalents, beginning of year	4,215	1,039	1,070	5,048	199	14,943	748	-	22,182
Cash and cash equivalents, end of year	4,122	311	669	11,743	307	3,432	757	-	20,444
Supplemental disclosure:									
Cash paid for interest, net of capitalized interest	3,655	3,034	1,348	10,693	1,393	3,268	2,365	-	24,057

TN CBC438 00932

ALLEGHENY HOSPITALS, CENTENNIAL

COMBINING BALANCE SHEET

as of June 30, 1997

(Dollars in Thousands)

ASSETS

	Graduate Hospital	Mt. Sinai Hospital	City Avenue Hospital	Parkview Hospital	Elim	Combined Allegheny Hospitals, Centennial
Current assets:						
Cash and cash equivalents	\$ 903	\$ 65	\$ -	\$ -	\$ -	\$ 968
Short-term investments	500	-	-	-	-	500
Assets limited or restricted as to use	8,945	2,750	-	-	-	11,695
Receivables:						
Patient accounts, net	29,356	6,781	6,648	6,837	-	49,622
Grants and other	5,877	283	66	43	4,581	10,849
Inventories	5,397	189	779	573	-	7,138
Prepaid expenses	1,417	162	30	55	-	1,664
Total current assets	52,595	10,310	7,323	7,507	4,581	82,436
Assets limited or restricted as to use, net						
Property and equipment, net	54,313	3,907	-	-	-	58,240
Due from affiliates	10,408	8,135	24,868	30,312	-	144,123
Other assets	13,878	-	-	-	(13,876)	-
	7,475	57,541	26,615	14,203	-	105,834
Total assets	\$ 209,037	\$ 79,813	\$ 39,006	\$ 32,022	\$ (9,295)	\$ 390,633

LIABILITIES AND NET ASSETS

Current liabilities:						
Accounts payable and accrued expenses	\$ 38,051	\$ 12,441	\$ 9,646	\$ 7,939	\$ -	\$ 68,077
Deferred revenue	62	-	549	531	-	1,142
Current portion of long-term debt	5,860	1,445	158	469	-	7,932
Total current liabilities	43,953	13,886	10,353	8,939	-	77,131
Long-term debt, net of current portion	117,714	41,640	3,799	2,872	-	166,025
Due to affiliates	-	24,293	44,749	40,302	(9,295)	100,249
Other noncurrent liabilities	11,970	27	-	-	-	12,000
Total liabilities	173,646	79,846	58,901	52,313	(9,295)	355,411
Net assets:						
Unrestricted	10,404	(33)	105	(291)	-	10,275
Restricted:						
Temporarily	17,276	-	-	-	-	17,276
Permanently	7,171	-	-	-	-	7,171
Total net assets	35,441	(33)	105	(391)	-	35,222
Total liabilities and net assets	\$ 209,037	\$ 79,813	\$ 39,006	\$ 32,022	\$ (9,295)	\$ 390,633

ALLEGHENY HOSPITALS, CENTENNIAL

COMBINING STATEMENT OF OPERATIONS
For the period May 1, 1997 through June 30, 1997
(Dollars in Thousands)

	Graduate Hospital	Mt. Sinai Hospital	City Avenue Hospital	Parkview Hospital	Elin.	Combined Allegheny Hospitals, Centennial
Unrestricted revenues, gains and other support:						
Net patient service revenue	\$ 40,603	\$ 5,092	\$ 11,106	\$ 8,042	\$ -	\$ 64,843
Research and training support	96	-	-	-	-	96
Investment income	952	54	-	-	-	1,006
Net assets released from restrictions used for operations	189	-	-	-	-	189
Other revenue	1,061	863	67	202	(55)	2,138
Total revenues, gains and other support	42,901	6,009	11,173	8,244	(55)	68,272
Expenses:						
Salaries, wages and fringe benefits	12,689	3,255	5,919	4,185	-	26,048
Materials, supplies and services	18,141	1,906	4,192	3,618	(55)	27,802
Depreciation and amortization	431	262	610	443	-	1,746
Interest	1,197	586	322	264	-	2,369
Total expenses	32,458	6,009	11,043	8,510	(55)	57,965
Net income/(loss)	10,443	-	130	(266)	-	10,307
Unrealized appreciation/(depreciation) of investments	73	(33)	-	-	-	40
Transfers to affiliates, net	(22)	-	(25)	(25)	-	(72)
Increase/(decrease) in unrestricted net assets	\$ 10,494	\$ (33)	\$ 105	\$ (291)	\$ -	\$ 10,275

ALLEGHENY HOSPITALS, CENTENNIAL

COMBINING STATEMENT OF CHANGES IN NET ASSETS

For the period May 1, 1997 through June 30, 1997
(Dollars in Thousands)

	Graduate Hospital	Mt. Sinai Hospital	City Avenue Hospital	Parkview Hospital	Elim.	Combined Allegheny Hospitals, Centennial
Unrestricted net assets:						
Net income/(loss)	\$ 10,443	\$ -	\$ 130	\$ (266)	\$ -	\$ 10,307
Unrealized appreciation/(depreciation) of investments	73	(33)	-	-	-	40
Transfers to affiliates	(22)	-	(23)	(23)	-	(72)
Increase/(decrease) in unrestricted net assets	10,494	(33)	105	(291)	-	10,275
Temporarily restricted net assets:						
Contributions	89	-	-	-	-	89
Investment income	138	-	-	-	-	138
Net assets released from restrictions	(189)	-	-	-	-	(189)
Unrealized appreciation of investments	978	-	-	-	-	978
Acquisition of affiliates	16,740	-	-	-	-	16,740
Increase in temporarily restricted net assets	17,776	-	-	-	-	17,776
Permanently restricted net assets:						
Contributions	56	-	-	-	-	56
Acquisition of affiliates	7,115	-	-	-	-	7,115
Increase in permanently restricted net assets	7,171	-	-	-	-	7,171
Increase/(decrease) in net assets	35,441	(33)	105	(291)	-	35,222
Net assets, beginning of year	-	-	-	-	-	-
Net assets, end of year	\$ 35,441	\$ (33)	\$ 105	\$ (291)	\$ -	\$ 35,222

ALLEGHENY HOSPITALS, CENTENNIAL

COMBINING STATEMENT OF CASH FLOWS
For the period May 1, 1997 through June 30, 1997
(Dollars in Thousands)

	Graduate Hospital	Mt. Sinai Hospital	City Avenue Hospital	Parkview Hospital	Elim	Consolidated Allegeny Hospitals, Centennial
Cash flows from operating activities:						
Change in net assets	\$ 31,411	\$ (11)	\$ 105	\$ (291)	\$	\$ 31,223
Adjustments to reconcile change in net assets to net cash used by operating activities:						
Depreciation and amortization	431	242	610	443		1,746
Net assets balances related to business combinations	(24,000)					(24,000)
Increase/(decrease) in cash from changes in:						
Short-term investments	(100)					(100)
Receivables	(631)	(100)	(155)	(1,183)		(1,887)
Inventories	(889)	38	(238)	(13)		(1,214)
Prepaid expenses	(877)	(88)	124	76		(161)
Accounts payable and accrued expenses	(18,111)	(6,190)	(1,100)	(2,310)		(10,601)
Deferred revenue						
Self-insurance liabilities						
Other	(1,460)	(184)	(37)			(1,681)
Net cash used by operating activities	(13,176)	(7,101)	(1,463)	(1,920)		(28,364)
Cash flows from investing activities:						
Acquisition of property and equipment, net	(3,117)	(115)	(941)	(11)		(4,204)
Decrease/(increase) in assets limited or restricted as to use, net	817	(1,410)	91			(600)
Cash balances related to business combinations	4,066					4,066
Net cash provided/(used) by investing activities	2,416	(1,533)	(840)	(11)		(7)
Cash flows from financing activities:						
Net repayments of lines of credit			(3,735)	(2,401)		(6,136)
Due to/from affiliates	(1,381)	9,314	8,972	6,417		33,594
Finance/(repayment) of long-term debt	(119)	9	(5)	(19)		(204)
Net cash provided by financing activities	(1,465)	9,323	4,711	3,273		20,214
Net increase in cash and cash equivalents	901	65				968
Cash and cash equivalents, beginning of year						
Cash and cash equivalents, end of year	\$ 901	\$ 125	\$ 1,111	\$ 1,111		\$ 944
Supplemental disclosure:						
Cash paid for interest, net of capitalized interest						

EXHIBIT 0072

**AHERF
AUDIT UPDATE
AUGUST 22, 1997**

- I. QualMed / Greater Atlantic Deferred Revenue *(Relabel as cushion for prudent buyer)* *apportion s/b pushed back to the opening B/S*
- II. PFMA Contract *Reserves recorded in legal documentation*
- III. Debt Compliance Items *indicates that GHE is obligated. transferred reserves of the Co. to DV.*
- A. Format of Letters
- B. Covenants Satisfied by Obligated Groups
- IV. A/P Cutoff
- A. Search findings to date. (completed through July) *P&E*
- V. CRA Review
- A. Cushions / Open Items
- VI. PIP Account Status
- VII. Medicare Recapture *through person All to provide summary of restricted.*
- VIII. Temporarily Restricted to Unrestricted Transfers *defers a corporate policy for use of funds temp just funds*
- Reserves for Risk Contracts* *HI small active. For bid: 500K AGH 1.5M*
- IX. AIHG Goodwill / PP&E Transfers
- A. Basis for transfer to Hospitals
- B. Valuation
- XI. Draft Financial Statements

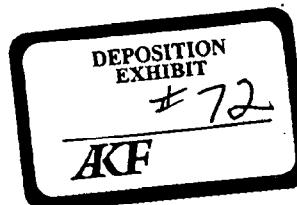


EXHIBIT 0109

ALLEGHENY UNIVERSITY HOSPITALS
BUCKS COUNTY
PROVISION FOR BAD DEBT
08/30/98

08-Oct-98
09:53 AM

CODE	FINANCIAL CLASS	NOT BILLED	0-30	31-60	61-90	91-120	121-150	151-180	181-360	>360	BILLED & UNBILLED TOTAL	BILLED TOTAL
INPATIENT TOTALS												
A	OTHER HMO	0	0	0	0	0	0	0	2,406	2,448	4,853	4,853
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	241	734	975	975
B	BLUE CROSS	0	0	0	0	0	0	0	263,977	407,320	671,297	671,297
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	26,398	122,196	148,594	148,594
C	CONTRACT PAYOR	0	0	0	0	0	0	0	0	11,221	11,221	11,221
	ALLOWANCE PERCENT	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	2,244	2,244	2,244
D	DPA (O/P)	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	50.00%	85.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
E	EMPLOYEE HEALTH	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
F	ASU COS EYE	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
G	NO FAULT	0	928	0	0	0	0	0	45,904	24,258	71,089	71,089
	ALLOWANCE PERCENT	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	20.00%	50.00%		
	REQUIRED ALLOWANCE	0	139	0	0	0	0	0	9,181	12,129	21,449	21,449
H	CHAMPUS	0	0	0	0	0	0	0	9,251	16,122	25,373	25,373
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	1,388	4,837	6,224	6,224
I	COMMERCIAL INS	0	4	0	0	0	0	0	339,539	89,842	429,386	429,386
	ALLOWANCE PERCENT	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	16,977	17,968	34,946	34,946
J	INS AFTER INS PYMT	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
K	MEDICARE SHF	0	(6,246)	0	0	0	0	0	0	0	(6,246)	(6,246)
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%	30.00%		
	REQUIRED ALLOWANCE	0	(125)	0	0	0	0	0	0	0	(125)	(125)

DEPOSITION
EXHIBIT
109 R.S.
AFC

CL 000997

L	MA APPS ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 70.00%	0 70.00%	0 70.00%	0 70.00%	0 70.00%	0 70.00%	0 70.00%	0 70.00%	80,181 75,00%	19,300 100.00%	99,481 79,436	99,481 79,436
M	MEDICARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	255,188 5,00%	324,284 30.00%	579,198 110,039	579,198 110,039
N	INSUR - SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	210 70.00%	7,774 85.00%	(110,217) (40,525)	(110,217) (40,525)
O	SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 70.00%	0 85.00%	0 426	0 426
P	SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	0 40.00%	98,867 70.00%	(46,974) 85.00%	60,462 32,707	60,462 32,707
Q	BLUE CROSS ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 10.00%	0 30.00%	0 0	0 0
R	POLICE & FIRE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 5.00%	0 30.00%	2,240 672	2,240 672
S	HMO MC OP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 10.00%	0 30.00%	0 0	0 0
T	MEDICAL ASST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.00%	0 5.00%	0 5.00%	0 5.00%	0 5.00%	0 5.00%	0 5.00%	0 5.00%	170,988 50.00%	80,619 85.00%	251,608 154,021	251,608 154,021
U	HMO PA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	398,490 10.00%	84,856 30.00%	488,810 65,415	488,810 65,415
V	MCP CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00%	0 100.00%	0 100.00%	0 100.00%	0 100.00%	0 100.00%	0 100.00%	0 100.00%	0 100.00%	10,169 100.00%	10,169 10,169	10,169 10,169
W	WORKMENS COMP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 10.00%	0 10.00%	0 10.00%	0 10.00%	0 10.00%	0 10.00%	0 10.00%	0 10.00%	80,615 10.00%	9,738 20.00%	90,688 10,043	90,688 10,043
X	MANAGED MA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	6,620 10.00%	3,759 30.00%	10,379 1,790	10,379 1,790
Y	KEYSTONE EAST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	0 2.00%	21,317 10.00%	31,282 30.00%	53,395 11,532	53,395 11,532

CL 000998

Z	CHARITY CARE	0	0	0	0	0	0	0	81,065	76,425	157,490	157,490
	ALLOWANCE PERCENT	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	81,065	76,425	157,490	157,490
***TOTAL INPATNT A/R BAL		0	(108,625)	0	0	0	0	0	1,854,619	1,154,683	2,900,677	2,900,677 (4)
***TOTAL INPATNT REQ ALLOW		0	(43,259)	0	0	0	0	0	413,696	437,083	807,520	807,520
***RESERVE % OF A/R BAL		ERR	39.8%	ERR	ERR	ERR	ERR	ERR	22.3%	37.9%	0	27.8%

Z	CHARITY CARE	0	0	0	0	0	0	0	81,065	76,425	157,490	157,490
	ALLOWANCE PERCENT	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	81,065	76,425	157,490	157,490
***ADJ INPATNT A/R BAL		0	(108,625)	0	0	0	0	0	1,773,554	1,078,258	2,743,187	2,743,187
***ADJ INPATNT REQ ALLOW		0	(43,259)	0	0	0	0	0	332,631	360,658	650,030	650,030 (7)
***RESERVE % OF A/R BAL		ERR	39.8%	ERR	ERR	ERR	ERR	ERR	18.8%	33.4%	0	23.7%

ALLEGHENY UNIVERSITY HOSPITALS
BUCKS COUNTY
PROVISION FOR BAD DEBT
06/30/98

08-Oct-98
09:53 AM

CODE	FINANCIAL CLASS	NOT BILLED	0-30	31-60	61-90	91-120	121-150	151-180	181-360	>360	BILLED & UNBILLED TOTAL	BILLED TOTAL
REHAB TOTALS												
A	OTHER HMO	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
B	BLUE CROSS	0	0	0	0	0	0	0	0	1,198	1,198	1,198
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	359	359	359
C	CONTRACT PAYOR	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
D	DPA (DIP)	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	50.00%	85.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
E	EMPLOYEE HEALTH	0	0	0	0	0	0	0	0	0	0	0

CL 000999,

	ALLOWANCE PERCENT REQUIRED ALLOWANCE	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	5.00% 0	15.00% 0	30.00% 0	0	0
F	ASU COS EYE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 15.00% 0	0 30.00% 0	0	0
G	NO FAULT ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 15.00% 0	0 15.00% 0	0 15.00% 0	0 15.00% 0	0 15.00% 0	0 15.00% 0	0 15.00% 0	0 20.00% 0	0 50.00% 0	0	0
H	CHAMPUS ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 15.00% 0	0 30.00% 0	0	0
I	COMMERCIAL INS ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 10.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 20.00% 0	0	0
J	INS AFTER INS PYMT ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 20.00% 0	0	0
K	MEDICARE SNF ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 5.00% 0	0 30.00% 0	0	0
L	PENDING MA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 70.00% 0	0 70.00% 0	0 70.00% 0	0 70.00% 0	0 70.00% 0	0 70.00% 0	0 70.00% 0	0 75.00% 0	0 100.00% 0	0	0
M	MEDICARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	43,168 5.00% 2,158	30,856 30.00% 9,257	74,025 11,415	74,025 11,415
N	INSUR - SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 70.00% 0	0 85.00% 0	0	0
O	SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 1	0 40.00% 1	0 40.00% 1	0 40.00% 1	0 70.00% 1	0 85.00% 1	0 6	0 6
P	SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	72 70.00% 50	228 85.00% 194	300 244	300 244
Q	BLUE CROSS ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 10.00% 0	0 30.00% 0	0	0
R	POLICE & FIRE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 5.00% 0	0 30.00% 0	0	0

CL 001000

S	HMO MG OP	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
T	MEDICAL ASST	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	50.00%	85.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
U	HMO PA	0	0	0	0	0	0	0	27,229	10,191	37,420	37,420
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	2,723	3,057	5,780	5,780
V	MCP CARE	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
W	WORKMENS COMP	0	0	0	0	0	0	0	0	26,118	26,118	26,118
	ALLOWANCE PERCENT	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	5,224	5,224	5,224
X	MANAGED MA	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
Y	KEYSTONE EAST	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
Z	CHARITY CARE	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
***TOTAL REHAB A/R BAL		0	0	0	0	0	0	0	70,469	68,591	139,061	139,061 (4)
***TOTAL REHAB REQ ALLOW		0	0	0	1	1	1	1	4,933	18,092	23,029	23,029
***RESERVE % OF A/R BAL		ERR	ERR	ERR	ERR	ERR	ERR	ERR	7.0%	26.4%	0	16.6%
Z	CHARITY CARE	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
**ADJ REHAB A/R BAL		0	0	0	0	0	0	0	70,469	68,591	139,061	139,061
***ADJ REHAB REQ ALLOW		0	0	0	1	1	1	1	4,933	18,092	23,029	23,029 (7)
***RESERVE % OF A/R BAL					ERR	ERR	ERR	ERR	7.0%	26.4%	16.6%	16.6%

ALLEGHENY UNIVERSITY HOSPITALS

CL 001001

BUCKS COUNTY PROVISION FOR BAD DEBT 9/30/96											08-Oct-98 09:53 AM	
CODE	FINANCIAL CLASS	NOT BILLED	0-30	31-60	61-90	91-120	121-150	151-180	181-360	>360	BILLED & UNBILLED TOTAL	BILLED TOTAL
MENTAL HEALTH												
A	OTHER HMO	0	0	0	0	0	0	0	6,860	16,845	23,705	23,705
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	686	5,054	5,739	5,739
B	BLUE CROSS	0	0	0	0	0	0	0	92,695	499,878	592,573	592,573
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	10.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	9,270	149,963	159,233	159,233
C	CONTRACT PAYOR	0	0	0	0	0	0	0	0	16,842	16,842	16,842
	ALLOWANCE PERCENT	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	3,368	3,368	3,368
D	DPA (D/P)	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	50.00%	85.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
E	EMPLOYEE HEALTH	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
F	ASU COS EYE	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
G	NO FAULT	0	0	0	0	0	0	0	0	716	716	716
	ALLOWANCE PERCENT	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	20.00%	50.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	358	358	358
H	CHAMPUS	0	0	0	0	0	0	0	8,036	6,629	14,665	14,665
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	15.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	1,205	1,989	3,194	3,194
I	COMMERCIAL INS	0	0	0	0	0	0	0	41,754	6,178	47,932	47,932
	ALLOWANCE PERCENT	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	2,088	1,236	3,323	3,323
J	INS AFTER INS PYMT	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
K	MEDICARE SNF	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%	30.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
L	PENDING MA	0	0	0	0	0	0	0	82,876	0	82,876	82,876

CL 001002

	ALLOWANCE PERCENT REQUIRED ALLOWANCE	70.00% 0	70.00% 0	70.00% 0	70.00% 0	70.00% 0	70.00% 0	70.00% 0	75.00% 62,157	100.00% 0	62,157	62,157
M	MEDICARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	90,224 5.00% 4,511	0 30.00% 0	90,224 4,511	90,224 4,511
N	INSUR - SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 70.00% 0	0 85.00% 0	0 0	0 0
O	SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 70.00% 0	0 85.00% 0	0 0	0 0
P	SELF PAY ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	0 40.00% 0	86,737 70.00% 60,716	135,524 85.00% 115,195	222,261 175,912	222,261 175,912
Q	BLUE CROSS ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 10.00% 0	0 30.00% 0	0 0	0 0
R	POLICE & FIRE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 5.00% 0	0 30.00% 0	0 0	0 0
S	HMO MC OP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 10.00% 0	0 30.00% 0	0 0	0 0
T	MEDICAL ASST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	0 5.00% 0	317,390 50.00% 158,695	157,540 85.00% 133,909	474,930 292,604	474,930 292,604
U	HMO PA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	(0) 2.00% (0)	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	20,160 10.00% 2,016	46,475 30.00% 13,943	66,636 15,959	66,636 15,959
V	MCP CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 0	0 0
W	WORKMENS COMP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 10.00% 0	0 20.00% 0	0 0	0 0
X	MANAGED MA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	23,932 10.00% 2,393	54,058 30.00% 16,217	77,990 18,610	77,990 18,610
Y	KEYSTONE EAST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	36,428 10.00% 3,643	9,246 30.00% 2,774	45,674 6,417	45,674 6,417

CL 001003

Z	CHARITY CARE	0	0	0	0	0	0	0	36,726	12,369	49,095	49,095
	ALLOWANCE PERCENT	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	36,726	12,369	49,095	49,095
***TOTAL MENTAL HEALTH A/R		0	(0)	0	0	0	0	0	843,817	962,300	1,806,118	1,806,118 (4)
***TOTAL MENTAL HEALTH REQ ALLOW		0	(0)	0	0	0	0	0	344,106	456,375	800,481	800,481
***RESERVE % OF A/R BAL		ERR	2.0%	ERR	ERR	ERR	ERR	ERR	40.8%	47.4%	0	44.3%

Z	CHARITY CARE	0	0	0	0	0	0	0	36,726	12,369	49,095	49,095
	ALLOWANCE PERCENT	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	36,726	12,369	49,095	49,095
***ADJ MENTAL HEALTH A/R BAL		0	(0)	0	0	0	0	0	807,091	949,931	1,757,023	1,757,023
***ADJ MENTAL HEALTH REQ ALLOW		0	(0)	0	0	0	0	0	307,380	444,006	751,386	751,386 (7)
***RESERVE % OF A/R BAL		ERR	2.0%	ERR	ERR	ERR	ERR	ERR	38.1%	46.7%	0	42.8%

ALLEGHENY UNIVERSITY HOSPITALS
BUCKS COUNTY
PROVISION FOR BAD DEBT
08/30/98

08-Oct-98
09:53 AM

CODE	FINANCIAL CLASS	NOT BILLED	0-30	31-60	61-90	91-120	121-150	151-180	181-360	>360	BILLED & UNBILLED TOTAL	BILLED TOTAL
OUTPATIENT TOTALS												
A	OTHER HMO	0	433	0	0	0	0	0	120,719	117,735	238,887	238,887
	ALLOWANCE PERCENT	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%	1.26%		
	REQUIRED ALLOWANCE	0	5	0	0	0	0	0	1,521	1,483	3,010	3,010
B	BLUE CROSS	0	2,787	0	0	0	0	0	762,954	407,771	1,173,512	1,173,512
	ALLOWANCE PERCENT	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%	1.14%		
	REQUIRED ALLOWANCE	0	32	0	0	0	0	0	8,698	4,649	13,378	13,378
C	CONTRACT PAYOR	0	0	0	0	0	0	0	1,047	2,867	3,914	3,914
	ALLOWANCE PERCENT	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	209	573	783	783
D	DPA (O/P)	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
E	EMPLOYEE HEALTH	0	0	0	0	0	0	0	188	(36)	152	152
	ALLOWANCE PERCENT	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

CL 001004

	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
F	ASU COS EYE	0	0	0	0	0	0	0	0	0	0	0
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	0	0
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	0	0	0	0
G	NO FAULT	0	51	0	0	0	0	144,217	53,116	197,384	197,384	
	ALLOWANCE PERCENT	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%		
	REQUIRED ALLOWANCE	0	4	0	0	0	0	12,114	4,462	16,580	16,580	
H	CHAMPUS	0	385	0	0	0	0	52,759	29,913	83,057	83,057	
	ALLOWANCE PERCENT	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%	4.95%		
	REQUIRED ALLOWANCE	0	19	0	0	0	0	2,612	1,481	4,111	4,111	
I	COMMERCIAL INS	0	258	0	0	0	0	298,719	95,962	394,939	394,939	
	ALLOWANCE PERCENT	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	20.00%			
	REQUIRED ALLOWANCE	0	13	0	0	0	0	14,936	19,192	34,141	34,141	
J	INS AFTER INS PYMT	0	0	0	0	0	0	0	431	431	431	
	ALLOWANCE PERCENT	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	43	43	43	
K	MEDICARE SNF	0	0	0	0	0	0	0	903	903	903	
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	18	18	18	
L	PENDING MA	0	959	0	0	0	0	1,182	0	2,141	2,141	
	ALLOWANCE PERCENT	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%		
	REQUIRED ALLOWANCE	0	671	0	0	0	0	827	0	1,499	1,499	
M	MEDICARE	0	(858)	0	0	0	0	773,108	365,009	1,137,259	1,137,259	
	ALLOWANCE PERCENT	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%		
	REQUIRED ALLOWANCE	0	(6)	0	0	0	0	5,257	2,482	7,733	7,733	
N	INSUR - SELFPAY	0	1,066	0	0	0	0	0	0	1,066	1,066	
	ALLOWANCE PERCENT	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%		
	REQUIRED ALLOWANCE	0	426	0	0	0	0	0	0	426	426	
O	SELF PAY	0	0	0	0	0	0	1,896	199	2,095	2,095	
	ALLOWANCE PERCENT	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	758	80	838	838	
P	SELF PAY	0	550	0	0	0	0	164,822	123,445	288,817	288,817	
	ALLOWANCE PERCENT	33.60%	10.00%	10.00%	10.00%	20.00%	20.00%	30.00%	30.00%	30.00%		
	REQUIRED ALLOWANCE	0	55	0	0	0	0	49,447	37,034	86,535	86,535	
Q	BLUE CROSS	0	0	0	0	0	0	0	1,804	1,804	1,804	
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	36	36	36	
R	POLICE & FIRE	0	0	0	0	0	0	0	9,900	9,900	9,900	
	ALLOWANCE PERCENT	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%		
	REQUIRED ALLOWANCE	0	0	0	0	0	0	0	198	198	198	
S	HMO MC OP	0	0	0	0	0	0	0	0	0	0	

CL 001005

	ALLOWANCE PERCENT REQUIRED ALLOWANCE	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	2.00% 0	0	0
T	MEDICAL ASST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 1.00% 0	380 1.00% 4	0 1.00% 0	0 1.00% 0	0 1.00% 0	0 1.00% 0	0 1.00% 0	227,055 1.00% 2,271	147,350 1.00% 1,474	374,785 3,748	374,785 3,748
U	HMO PA ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 0.68% 0	1,569 0.68% 11	0 0.68% 0	0 0.68% 0	0 0.68% 0	0 0.68% 0	0 0.68% 0	1,594,086 0.68% 10,840	1,005,657 0.68% 6,838	2,601,312 17,689	2,601,312 17,689
V	MCP CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	30,735 100.00% 30,735	30,735 30,735	30,735 30,735
W	WORKMENS COMP ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 5.90% 0	51 5.90% 3	0 5.90% 0	0 5.90% 0	0 5.90% 0	0 5.90% 0	0 5.90% 0	394,622 5.90% 23,283	159,048 5.90% 9,384	553,721 32,670	553,721 32,670
X	HMO MC OVER 75 ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	0 2.00% 0	113,153 2.00% 2,263	147,675 2.00% 2,954	260,828 5,217	260,828 5,217
Y	KEYSTONE EAST ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 0.98% 0	(123) 0.98% (1)	0 0.98% 0	0 0.98% 0	0 0.98% 0	0 0.98% 0	0 0.98% 0	536,565 0.98% 5,258	99,022 0.98% 970	635,464 6,228	635,464 6,228
Z	CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	773 100.00% 773	533 100.00% 533	1,306 1,306	1,306 1,306
***TOTAL OUTPATNT A/R BAL		0	7,508	0	0	0	0	0	5,187,865	2,799,039	7,994,412	7,994,412 53-455
***TOTAL OUTPATNT REQ ALLOW		0	1,237	0	0	0	0	0	141,067	124,618	266,922	266,922
***RESERVE % OF A/R BAL		ERR	16.5%	ERR	ERR	ERR	ERR	ERR	2.7%	4.5%	3.3%	3.3%
Z	CHARITY CARE ALLOWANCE PERCENT REQUIRED ALLOWANCE	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	0 100.00% 0	773 100.00% 773	533 100.00% 533	1,306 1,306	1,306 1,306
***ADJ OUTPATNT A/R BAL		0	7,508	0	0	0	0	0	5,187,092	2,798,506	7,993,106	7,993,106
***ADJ OUTPATNT REQ ALLOW		0	1,237	0	0	0	0	0	140,294	124,085	265,616	265,616 53-455
***RESERVE % OF A/R BAL		ERR	16.5%	ERR	ERR	ERR	ERR	ERR	2.7%	4.4%	3.3%	3.3%
***NET O/P REVENUE CALCULATION SPREADSHEET BELOW**												

CL 001006

EXHIBIT 0110

BUCKS COUNTY HOSPITAL
INPATIENT BAD DEBT RESERVE CALCULATION
06/30/06

Note: The reserve calculation below is based on the aged by final billed date methodology.

PBC											
CLASS	TOTAL	INHOUSE & DNFB (NET)	0-30	31-60	61-90	91-120	121-150	151-180	181-270	271-365	365+
A MEDICAID	45,217	(1) * (2)=	0	0	2,808	9,296	13,123	14,082	4,997	911	0
B BLUE CROSS	6,625	└	0	0	1,169	765	236	2,124	1,631	700	0
C COMMERCIAL	18,254	A	130	1,287	1,850	1,951	1,572	30	1,061	10,373	0
D DIRECT CONTRACTING	3,694	(1) * (2)=	0	862	418	70	(293)	1,461	955	220	0
F CHARITY CARE	0	└	0	0	0	0	0	0	0	0	0
H HMO (USHC/KHPE)	42,991	└	0	0	15,180	13,763	5,581	3,594	3,700	1,173	0
I PATIENT CONTRACTS	28,765	└	0	0	0	10,630	1,081	0	585	16,468	0
M MEDICARE	53,595	└	0	0	5,302	13,881	5,533	961	10,611	17,307	0
N MANAGED MA	10,612	└	0	0	1,214	75	872	1,060	7,391	0	0
P PPO-PREFERRED PROVIDER	80,870	└	0	0	2,752	6,074	10,489	14,202	42,605	4,748	0
U SELF PAY	822,886	└	45,980	124,933	117,158	77,555	201,680	87,187	89,400	78,992	0
W WORKERS COMP/NO FAULT	0	└	0	0	0	0	0	0	0	0	0
REQUIRED RESERVE	1,113,509		46,110	127,082	147,851	134,061	239,875	124,701	162,937	130,893	0

A- Commercial reserve is calculated based on gross A/R less estimated contractual percentage.

(1) * (2) * (80%)

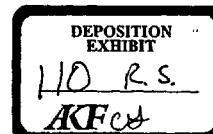
Note: The reserve calculation below is based on the aged by discharge date methodology.

CLASS	TOTAL	INHOUSE & DNFB (NET)	0-30	31-60	61-90	91-120	121-150	151-180	181-270	271-365	365+
A MEDICAID	72,621	(3) * (2)=	0	0	5,120	9,714	10,349	9,757	21,436	16,245	0
B BLUE CROSS	7,102	└	0	0	1,411	322	444	2,595	1,631	700	0
C COMMERCIAL***	20,887	A	983	2,091	2,426	1,448	2,374	1,061	10,373	0	0
D DIRECT CONTRACTING	3,694	(3) * (2)=	0	862	418	70	(293)	1,461	955	220	0
F CHARITY CARE	0	└	0	0	0	0	0	0	0	0	0
H HMO	57,530	└	0	0	18,306	10,044	8,281	6,276	14,487	135	0
I PATIENT CONTRACTS	28,811	└	0	0	0	0	11,712	0	262	16,838	0
M MEDICARE	65,293	└	0	0	6,406	7,308	14,194	782	5,762	30,841	0
N MANAGED MA	14,871	└	0	0	926	363	299	1,053	3,193	9,038	0
P PPO-PREFERRED PROVIDER	99,845	└	0	0	3,399	3,918	6,208	21,674	17,103	47,545	0
U SELF PAY	861,503	└	45,980	109,219	130,897	43,804	159,213	90,778	132,406	149,207	0
W WORKERS COMP/NO FAULT	0	└	0	0	0	0	0	0	0	0	0
REQUIRED RESERVE	1,232,158		46,110	111,064	168,974	77,969	211,854	136,751	198,296	281,140	0

A- Commercial reserve is calculated based on gross A/R less estimated contractual percentage.

(3) * (2) * (80%)

Reserve difference due to change in historic aging methodology:



CL 000992

Reserve using final billed aging	1,113,509
Reserve using discharge date	1,232,158
Difference	(118,649) 1

Although there is a difference between the reserves, because of the change in aging methodology, C&L does not propose an entry. C&L has prepared an additional analysis that uses AGH reserve percentages and the client has booked an additional reserve for bad debt.

Invision- Inpatient reserve for uncoll. accts.	1,113,509	(6)
Patcom- Inpatient reserve for uncoll. accts.	1,424,444	sum of (7)

Total calculated bad debt reserve	2,537,953	53-461
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CL 000993

BUCKS COUNTY HOSPITAL
ACCOUNTS RECEIVABLE AGING - INPATIENT
June 30, 1996

AGED FROM FINAL BILL DATE

CLASS	TOTAL	IH & DNFB (NET)	0-30	31-60	61-90	91-120	121-150	151-180	181-270	271-365	365+
A MEDICAID	996,576	(1) 204,985	256,262	56,157	185,918	131,232	140,818	19,989	1,215	0	0
B BLUE CROSS	227,034	36,984	82,641	58,458	15,308	4,717	21,235	6,525	1,166	0	0
C COMMERCIAL	357,080	16,254	160,826	77,094	40,653	19,652	249	5,306	37,046	0	0
D DIRECT CONTRACTING	104,213	0	86,166	8,367	704	(1,956)	7,307	3,184	440	0	0
F CHARITY CARE	0	0	0	0	0	0	0	0	0	0	0
H HMO (USHC/KHPE)	1,436,006	155,122	592,549	303,598	275,254	55,809	35,942	14,799	2,933	0	0
I PATIENT CONTRACTS	40,941	0	0	0	17,717	1,802	0	836	20,585	0	0
M MEDICARE	1,832,813	318,125	796,873	265,093	277,625	69,165	9,609	53,055	43,268	0	0
N MANAGED MA	116,541	4,035	37,844	24,281	1,496	8,723	10,597	29,565	0	0	0
P PPO-PREFERRED PROVIDER	599,282	61,362	141,520	55,039	60,738	69,928	56,809	142,015	11,871	0	0
U SELF PAY	1,535,441	91,960	249,867	234,315	155,109	403,360	174,374	127,715	98,741	0	0
W WORKERS COMP/NO FAULT	101,694	0	15,383	43,924	15,976	11,878	18	(80)	14,595	0	0
TOTAL	7,347,620	888,827	2,419,931	1,126,326	1,046,498	774,310	456,959	402,910	231,859	0	0

(1) Amounts were traced into the Invision system generated report.

AGED BY DISCHARGE DATE

CLASS	TOTAL	IH & DNFB (NET)	0-30	31-60	61-90	91-120	121-150	151-180	181-270	271-365	365+
A MEDICAID	996,576	(3) 204,985	186,440	102,407	194,281	103,491	97,568	85,744	21,660	0	0
B BLUE CROSS	227,034	36,984	70,569	70,530	6,432	8,876	25,952	6,525	1,166	0	0
C COMMERCIAL	357,080	16,254	122,905	87,144	50,539	18,099	19,787	5,306	37,046	0	0
D DIRECT CONTRACTING	104,213	0	86,166	8,367	704	(1,956)	7,307	3,184	440	0	0
F CHARITY CARE	0	0	0	0	0	0	0	0	0	0	0
H HMO (USHC/KHPE)	1,436,006	155,122	510,017	366,115	200,889	82,812	62,763	57,949	338	0	0
I PATIENT CONTRACTS	40,941	0	0	0	0	19,519	0	374	21,047	0	0
M MEDICARE	1,832,813	318,125	757,061	320,298	146,169	177,429	7,819	28,809	77,102	0	0
N MANAGED MA	116,541	4,035	37,844	18,527	7,250	2,988	10,530	12,773	22,594	0	0
P PPO-PREFERRED PROVIDER	599,282	61,362	126,824	67,973	39,175	41,383	86,694	57,008	118,862	0	0
U SELF PAY	1,535,441	91,960	218,438	261,793	87,608	318,425	181,557	189,151	186,509	0	0
W WORKERS COMP/NO FAULT	101,694	0	15,383	40,142	19,748	11,888	18	(80)	14,595	0	0
TOTAL	7,347,620	888,827	2,419,931	1,126,326	1,046,498	774,310	456,959	402,910	231,859	0	0

(3)- C&L obtained amounts from the Invision system generated agings.

CL 000994